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Economic Conditions
United States Securities
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General Business Situation.

THE business situation has been brightened decidedly by the rise of farm products which has taken place in the last month. This advance is of greater significance than any other development that has occurred since the prices of farm products broke in the Fall of 1920. It is the first burst of real sunshine, and as such in marked contrast with the artificial variety which has been rather laboriously disseminated by cheerful people who have thought nothing was required but that everybody should smile at each other. A deadlock has existed, as a result of farm products having fallen much faster and farther than other products, and prosperity has been waiting on a correction of this uneconomic and unjust situation. Another demonstration has been afforded of the profound truth that the economic law and the moral law are always in harmony, and that it is wise management to bring business affairs into line with them.

As is usually the case when a great fall of prices occurs under conditions which unsettle confidence, farm products fell below the normal level, in some instances below even the pre-war level. European conditions were immediately responsible for the fall and they have been so clouded as to involve the whole situation in uncertainty. The rise which has now occurred has given prompt vindication to the report recently made by Professor George F. Warren of the Department of Agriculture, that Europe would have to buy heavily of foodstuffs before the crop of 1922.

The Price of Wheat

It has been known since last Summer that the world's supply and consumption of wheat would be closely balanced for this crop year, much depending upon the crops in the Southern hemisphere. The early reports as to the crops of Argentina and Australia were of large yields and the Canadian crop was estimated to be considerably above that of 1920. Confidence in wheat, among both producers and speculators, had been weakened by the great decline of the previous year, with the result that the farmers marketed the crop rapidly and as stocks in sight increased there was not courage enough in the markets to take the offerings without price declines. The farmers suffered from a lack of speculative buying. More buyers were needed who had faith in wheat. It will be remembered that about that time the so-called farmers' bloc in Congress was hot on the trail of the speculator, and has been claiming credit for enacting a law to curtail his operations. Of course it cannot be positively said that wheat would have been higher but for this act, but if it interfered with the freedom of the markets, it was bound to be detrimental, and it is certain that wheat suffered last Fall from a lack of speculative buying. The low price on the crop was made November 1st, when December wheat sold in Chicago at $1.01 and the May delivery at $1.02⅝.

As the harvest and threshing proceeded in Argentina and Australia, it developed that in neither country would the yield come up to the early reports, and the final official report on the Canadian crop placed it 30,000,000 bushels below the estimates current in the Fall. The reduction in Canada, however, was more than offset by an increase in the official estimate for the United States. By the middle of January the May price had risen to about $1.12, and by the end of the month to about $1.18. Unfavorable reports on the condition of the Fall-sown crop in the Southwest had become a factor, and so also the Warren report on probable European needs, which was quickly verified by increased European purchases. Under the influence of these developments the market became very active in February and advanced rapidly, the May delivery in Chicago, reaching $1.47, from which it reacted a few cents on rains over the Southwest, where drought has prevailed.

From this time on the market will be much influenced by the crop prospects in this country. Kansas is the biggest producer of Winter wheat, and in that state and the adjoining southwest the crop failed to get moisture enough in the Fall to give a good start, and

has had very little of either snow or rain since. Crop experts have been predicting a heavy abandonment of acreage.

This situation supports the view that so long as Russia is not an exporter, the world's supply and demand will be closely balanced when the wheat crop is generally good, and that a short crop with any important producer is likely to send prices skyward.

Corn and Hogs

We mentioned in our last number the rise of hogs, which is of more importance at this time than the rise of wheat, in view of the fact that so large a part of the wheat crop has left first hands. Live hogs have been selling throughout the month of February around $10 per hundred weight in Chicago, which is an advance of over $3 from the low point, and means not less than 80 cents per bushel for the corn consumed. The rise was unlooked for, common opinion being that the packers were determined to keep down the price, and that in view of the low price of corn, hogs would be given all possible weight. However, the shipping demand at Chicago, for outside packers, has been strong and receipts at all markets have been smaller than last year. Receipts at all the principal packing centers for the season from November 1 to February 4 were 8,425,000, against 9,596,000 for the corresponding period the year before, and weights are averaging about the same. Stocks of all hog products are lower than a year ago, export movement about the same.

The decline in receipts probably reflects the hasty action of farmers in disposing of brood sows because they lost money feeding high priced corn to hogs in 1920. Over and over again it has been proven that such spasmodic policies do not pay in agriculture or in any business. The February Letter contained a letter from a western farmer touching upon the success that has attended live-stock production upon a uniform, consistent policy.

The price of corn has responded to profitable results from feeding operations in hogs. cattle and sheep, with a rise of about 15 cents per bushel. Exports have continued high, and the rise of wheat probably has had some influence. The low price of all the grains was due in considerable degree to loss of confidence and lack of speculative interest. It has been popular to decry the speculator, but speculation, intelligently directed, renders economic service as a stabilizing influence. If it is called "investment" to buy corn when the price falls below the cost of production, the act is accepted as entirely legitimate, but if it is called "speculation" it becomes discreditable. The fact is that when an excessive supply exists of any commodity the price will fall unduly low unless there are buyers who will take it to hold for the market in the future. The country has had two bumper crops of corn in succession, following a fair crop in 1919; corn has a very limited market except as feed for animals, and the country is in an unbalanced state as between corn and live stock. Add to this the fact that the world situation has been so unsettled that calculations for the future could not be made with confidence, and it is not difficult to see why corn and the other grains have been low.

Cattle, Sheep and Wool

The price of fat cattle has been steady, with some showing of strength, but a decided improvement has taken place in the market for stock cattle, which during a great part of last year was demoralized by forced sales to liquidate indebtedness. During the boom period, while prices were rising, many cattlemen became over-extended, and in many instances banks became over-extended in granting them accommodations. A great amount of cattle paper was put afloat through cattle-loan companies, and bought by investors who were under no obligations to renew it, and who counted upon having their money when the paper fell due. The turn of the times came, prices fell, bank deposits declined, the cattle loans fell due, banks needed their money to meet the calls of depositors, and cattle had to be sold. It was a mistake to create so much indebtedness. The cattle business would have had more real prosperity without borrowing so much. The borrowing resulted in a competition for stock cattle that drove prices up to a level that was dangerous for those who did the finishing, and ultimately brought disaster all around.

The decline of prices was drastic, but it restored a situation favorable to feeders, with the result that fat cattle marketed this Winter are showing handsome profits for the men who had the courage to fill their feed lots last Summer. These men have recouped the losses of the year before, and with this showing that there is still money to be made in cattle, the prices of stock animals have rallied and a fair relation between them and the prices of finished beeves is in the way of being restored.

The situation as to sheep is better even than for cattle; ewes are again marketable property and the feeders of sheep and lambs have made handsome profits. Lambs are bringing almost double the prices of a few months ago. Another factor in the value of sheep is the advance in wool, which is bringing about double the prices of a year ago, and 35 to 60 per cent more than four months ago. Wool is stronger in world markets, particularly the best grades. The corporation organized in 1920 to take over

the Australian stocks and the holdings of the British government has recently reported that the stock of merinos will be entirely disposed of by the end of next July, and it is expected that this quality will then be released from control. The world still has large stocks of low grade wools, but even these are improving in price. In the United States, the stocks imported in anticipation of the emergency tariff have been worked down to small proportions, and the advance here signifies that prices are being adjusted to the outside market plus the new import duties.

Cotton

The situation as to raw cotton is a very interesting and even critical one. The short crop of last year means that the carry-over next July will be reduced to probably not over 4,000,000 bales, most of which will be of low grade. The best opinion is that the world will need 12,500,000 to 13,000,000 bales of good grade American cotton to supply the demand. The question is, will it be forthcoming. That is about an average of recent crops, excepting the last, and the outbreak is not very promising. Fertilizer sales in the South have been small, and the entire cotton territory is now infested with the boll weevil. Moreover, the agitation for a restricted acreage continues, and in some districts the banks are adopting the policy of making no advances to farmers unless they grow the feed for their animals, instead of buying it.

The price of cotton declined about two cents per pound in the latter part of January and early part of February, but since then has recovered in full.

Other Agricultural Products

Butter and eggs are about the only farm products that have not participated in the rise, their tendency being downward with every warm spell of weather. For the week ended February 11 the American Association of Creamery Butter Manufacturers reported a rate 21.6 per cent greater than in the same creameries in the corresponding week of last year. The storage supplies are a little below those of last year.

The California crop of citrus fruit has met with a calamity, a freeze cutting off 50 to 75 per cent of it. This is a serious blow to Southern California, and while it will redound in some degree to the benefit of Florida producers, means that consumers will have to pay higher prices.

The Business Outlook

It will be seen from the foregoing survey of the agricultural staples that a pronounced improvement has taken place in the position of the farming population, which is precisely where the business situation has been weak. It would not be safe to predict that this improvement will continue or even that it will be in all respects maintained, but it probably is safe to say that the worst has been passed, and that on the whole the farmer will not lose the ground that has been gained.

For one thing, a rise such as has occurred does much to restore confidence in values. It has shown how easily the situation may right itself with a slight change in conditions, and that there never was ground for the extreme pessimism that prevailed. Pessimism, like optimism, is infectious, and when everybody is thinking the same way either state of mind will run to the extreme. When times were booming, common opinion was ready to insist they would go on that way for a long time, and when they turned bad it was just as positive that they were going to stay bad for a very long time unless something was done forthwith.

As said above, wheat is more than likely to bring a good price so long as Russia remains out as a competitor. If speculators had had a normal amount of nerve the price would not have fallen so low on the last crop. The chances are against a third bumper crop of corn in succession; some reduction of acreage is practically certain, and the present price of hogs will assure a more balanced relation between corn and hogs next year. The individual farmer will best judge for himself about the acreage he should plant to corn, and not be carried away by any campaign for a concerted plan. A policy good for one farmer may not be good for another. Each should get his own farm into a balanced state, in which he can handle it to the best advantage. It is probable that the spread between corn and hogs will be smaller next year than now, with corn higher and hogs possibly lower.

It would be a mistake to think prices are going back to war figures. In Europe, outside of Russia, agriculture will be back in 1922 almost to normal productivity, and it will buy no more outside of Europe than it is obliged to. A return to completely normal conditions is not to be expected until the finances of Europe are in better shape. In the long run the farmer has one permanent influence on his side. The population is constantly increasing and the area of land in farms increases now only by a considerable expenditure of capital, for irrigation, drainage or the improvement of cut over lands. Such expenditures will not be made when prices are depressed.

Already a more cheerful feeling is evident throughout the agricultural territory, but it must be considered that much of the 1922 crop has passed from the farmers' hands, and, also, that the proceeds of the remainder will be

needed to meet taxes and pressing indebtedness, and for necessary expenses until this season's crop is grown. There will be no free spending.

The Wage Question

This rally of farm products by no means restores the balance between farm products and the goods and services which the farmer must buy. It helps, but the latter must come down before employment can be full for the wage-earners or business normal for anybody. Inexorable Economic Law is exerting steady pressure upon this side of the equation as well as upon the other. The textile strike against lower wages continues in New England, the operators having declined to arbitrate the question, for a reason which there is every reason to believe is well-founded, and if so is unanswerable. They say that if they entered into arbitration they would feel bound to operate the mills at the wage fixed by the arbitrators, but that any wage-scale above the one they have offered would place their costs above present selling values, and make it impossible for them to give regular employment. They urge that a reduction of manufacturing costs is necessary to enable the goods to be marketed.

The situation is the same as to bituminous coal. The non-union mines have reduced wage-rates and are underselling the union mines, with the result that the former are running practically full time and the miners in them are making higher wages per week than the union miners. Many union miners who have nothing to do have gone over to the non-union districts and accepted work there, thus expanding that output. The union leaders are urging the state of stagnation in the industry as the chief argument for maintaining the high wage-rates, although these high wage-rates are one of the chief causes of the stagnation, and are not only keeping miners out of employment but contributing to stagnation throughout industry and to the high cost of living for all wage-earners.

The bituminous miners have announced that they will not press for a raise of wages, but insist upon a continuance of the present scale. The anthracite miners will ask for an increase of 20 per cent. There has been practically no falling off of employment in that industry. It is altogether probable that a general shutdown of the coal-mining industry, excepting the non-union mines, will take place April 1st.

Very extensive wage reductions have been made, particularly outside of the highly organized trades. This statement will be taken by the heads of the labor organizations as affording proof of the services of their organizations to the wage-earning class, but taken in connection with existing unemployment and stagnation in business, it only proves that they are able to block the wheels of industry and delay recovery to normal activity.

Railroad Wages

The railroad employes, after getting wage-increases of over 100 per cent, based on the rise in prices of foodstuffs and other living costs, have taken a reduction of about 12 per cent, which leaves their pay out of reasonable proportion to that of services in other occupations. Mr. William Butterworth, President of Deere & Company, Moline, Illinois, manufacturers of agricultural implements, writes to the "Nation's Business" as follows:

> In my factory at Moline a machine operator gets from 35 cents to 58 cents an hour, according to his efficiency and his length of service. His next-door neighbor, maybe, is classed as a machine operator in the railroad shops at Moline, and he receives for work of the same grade or lower, whatever his term of service and without regard to special efficiency, 77 cents an hour.
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> The poorest workman of that class receives from the railroads 42 cents an hour more than my inexperienced workman, and 19 cents an hour more than my best. You may imagine the consequence of this disparity on labor generally.
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> A common day laborer in the railroad shop gets 43 cents an hour whereas my best unskilled workmen get but 30 cents. The common day laborer for the railroad gets more than my best-paid machinist's helper, a semi-skilled and ambitious operator.

It may be said in reply that Deere & Company should raise wages to conform to the pay of railroad employes, but Deere & Company lost $9,409,733 in their business in 1921, of which $6,317,059 represented a writing down of inventories, and $2,752,801 was operating loss. These losses were due to the general decline of prices and the inability of farmers to buy implements. Other manufacturers of implements fared likewise. This showing reflects anything but a healthy state of industry, for when the farmers are not buying implements they are not buying other manufactured goods. The people who work for wages are certain to fare badly under such conditions, no matter what nominal wage-rates may be. Full and steady employment may be more important to wage-earners than high nominal rates per hour or per day.

The Deere report to stockholders states that sales in 1921 were only 37 per cent of what they were in 1920, and that it was necessary to make radical reductions throughout the organization. The factories with one exception were closed in the late Winter and Spring of 1921 and remained closed throughout the remainder of the year. That tells how present conditions affect the employes of Deere & Company.

The continuation of this situation is largely due to railroad charges that are excessively high in their relation to the value of the freight carried, particularly in the case of

farm products and other bulky materials. In the iron and steel industry five tons of incoming materials are required to make a ton of product, and the increase in freight charges more than accounts for the difference between the prices of the principal products now and before the war. Railroad charges cannot be reduced unless operating costs are reduced, and the wages of railroad employes and cost of coal are the principal items in railroad expenditures.

Building Trades and Clothing Industry

The building trades and the clothing industry represent two other groups of wage-earners that are contributing largely to delay recovery by refusing to do their part. They are keeping up rents and the price of clothing on each other and on all other wage-earners, as the miners are keeping up the cost of coal and the railroad employes are keeping up the cost of all commodities moving in trade. These groups are enjoying the benefit of reductions accepted by other classes of labor, but refuse to reciprocate, masking their refusal behind the plea that their employers are trying to reduce them below a living wage. Many of them doubtless believe it, and do not understand that they are depriving thousands of their fellow-workers of any wages at all, and increasing the cost of living for all. There cannot be full employment or general prosperity unless the industries are in right relations for a free exchange of products.

This policy as to wages is pursued by the highly organized trades without any apparent conception of the reciprocity of interests which pervades the industrial community. Their eyes are fixed upon money-wages alone, without regard for the relation between money and commodities, and without tracing the effect of the demands upon the wage-earning body as a whole.

Every suggestion of lower wages is resented as unfriendly, but lower costs and lower prices for goods will increase consumption, put more people on the pay-rolls and bring larger wage-disbursements and lower living costs to the whole body of workers.

There will be no return to normal industrial conditions until the wage-earners see that at last it is not employers but consumers who pay wages, and that the great body of consumers is composed of the wage-earners themselves and other people of like incomes. When a portion of this body insists upon compensation far above what the remainder receive, the effect is to raise prices above the ability of this remainder to buy. The factories cannot sell the normal quantity of goods at existing prices, and there are not so many goods to transport. **The result is unemployment in the factories, on the railroads and all along the line.** Every worker off the payrolls is one less buyer in the markets. Such a state of unemployment as exists today means economic waste, with less wealth to divide. When the highly organized trades which are blocking trade revival adopt the policy of live and let live and farm products will exchange for the usual quantities of factory-made goods, unemployment will tend to disappear, and the cost of living will come down.

The leaders of the industrial world and the statesmen who guide the policies of nations need to learn the same lesson—that the interests of all groups of society are served together. There is a right adjustment of relationships which is best for the whole and therefore best for every group, because under it there is more wealth for division than under any other arrangement. This is the settlement to be sought.

International Relations.

The international conference at Washington closed in the early part of last month, and the delegates returned to their homes, with unanimity of feeling that a great beginning had been made for a better understanding among the nations, and a more sincere spirit of co-operation, than has existed heretofore. It must be a source of gratification to all citizens of the United States that all delegates were impressed with a belief in the sincerity and disinterested purpose of the Government of this country.

It is not too much to say that the conference struck a new note in international relations by laying the emphasis upon the gains to be had by each through advancing the common interests of all. Mr. Balfour, who headed the British delegation, was tendered a reception in London upon his return, and in the course of his speech upon this occasion was reported as follows:

> The note was struck from the very beginning by the United States and throughout, he believed, the sincere and only desire of those on whom the ultimate decisions came to rest was not this or that petty national advantage, but the far greater national advantage which came from going into international arrangements. They realized what the world had been slow to learn, that the advantage of the part was best to be reached by the advantage of the whole. [Cheers.] And it was because they pursued that, that something permanent, as he believed, had been attained.

British Bank Speeches.

The addresses made by the heads of the leading British banks at their annual meetings in January of each year are always interesting, as they invariably deal with world conditions. We give below a few extracts.

The head of the Liverpool and Manchester District Banking Company, Mr. A. A. G. Tulloch, said:

Let us make no mistake about it; the trade of the world, the prosperity of this country, has been built up on a gradual commercial development of each nation, and we have to realize that the laws of economics are immutable—that if the world is to get back to anything like the old level of interchange of commodities the great nations must be in a position to deal freely in the world's markets. Reparations, where reparations are called for, there must be, within the limits which are reasonably possible, but a condition precedent to reparation is economic reconstruction, and until Central Europe is placed on a basis infinitely sounder than that which exists to-day it is idle to talk of reparations, idle to suppose that claims which we believe to be reasonable can be met, at all events met in full.

The Chairman of the London, Joint, City and Midland, the largest bank in the British Isles, with £375,000,000 deposits and 1,600 branch offices, the Rt. Hon. R. McKenna, in the course of a lengthy discussion said:

If the economic needs of Europe were the primary consideration in international policy our course would be tolerably clear. We should recognize at once that modern industrial and transport conditions have brought all countries into such close trading relationship as to make each an integral part of the trading world as a whole. One nation, and still more a large group of nations, cannot be broken up and impoverished so as to destroy its ability to function without throwing the entire machine out of gear. (Hear, hear.) If Russia fails to buy tea in China or India, our Eastern market for cottons is narrowed, the United States sells less raw cotton to us, and our shipping, banking, and insurance business is impaired. Illustrations could be multiplied indefinitely, showing how the trade of each country is linked up with that of the whole world. Our own trade cannot recover its pre-war activity whilst so many countries continue in their present broken-down condition, and though our plans to foster our export trade by the grant of special credit facilities may be a temporary palliative, the only lasting solution of the problem is by the reestablishment of genuine peace and an ordered system of government throughout Europe.

Mr. F. C. Goodenough, Chairman of Barclay's Bank, with £330,942,000 deposits, said, in part:

The period of trade stagnation from which we have suffered, and are still suffering, represents the inevitable reaction from the spell of great industrial activity which followed immediately upon the termination of hostilities. The provision for the immediate needs of devastated Europe, and, in the case of other countries, the making up of arrears in their requirements, gave rise to a boom which was carried to great lengths before people fully realized that, until the financial stability of European countries had been restored, their capacity to purchase must fall far short of what might be rgearded as a normal figure. There is also the fundamental fact, that a lack of purchasing power on the part of one important section of the world's population reacts upon and is reflected in the purchasing power of the world as a whole. It is no longer possible to separate the world of industry into compartments, and to expect that there can be prosperity in one direction whilst there is poverty in another. To-day, world trade has passed the stage of primitive exchange of the bare necessaries of life, and barter is, for all practical purposes, a thing of the past. Every portion of the world's population must be able to produce and to consume, and any check or interruption anywhere in the continuity of production and consumption throws out of gear the whole industrial machine. The theory of self-determination, however necessary or desirable it may have been as a political ideal, has served to raise trade barriers. These tariff walls must be broken down and trade, like a stream, will then gravitate to the old and well-worn channels which are the most natural and have proved to be the most beneficial. (Cheers.)

At the present time, it is computed that the total volume of international trade does not exceed one-half of its pre-war volume. In these circumstances, it is easy to understand why industry has received a severe setback and is depressed, and why it is essential to make a determined effort to restore the financial stability of Europe as a first step towards better markets.

Mr. Goodenough spoke of the reparation payments from Germany, of the position of Austria, and finally of the inter-allied indebtedness as follows:

Under the terms of the Treaty, payment is required to be made in gold, or in something which can be measured by gold, but Germany has at present only a comparatively small stock of gold—with which she may perhaps be able some day to start to reform her currency—and the whole stock of gold in the world would not suffice to enable Germany to make her payments in gold, even if she should possess it. She must, therefore, import raw materials, and, in order to pay for them, must export her manufactures. This is a first charge on her exports. Then she must sell still more goods abroad and render other services so that she may buy gold, or its equivalent in value, in order to make reparation payments.

The question must, of course, arise whether the world can absorb so large a quantity of goods as will have to be sold in order to realize the amount that is required as quickly as it is at present proposed, or at all events, whether it can do so without dislocation to trade and consequently injury to itself.

The problem of reparation payments turns, therefore, not only upon the ability of Germany to pay, but also upon the world's ability to receive payment according to the plan as it now stands.

No doubt there are many things which Germany can make and sell with benefit to the rest of the world and without doing any injury, but there is certainly some limit in this direction. There is also a limit to her exportable capacity, having regard to the extent to which she is dependent upon raw material from abroad, and her ability to pay for it; for, as I have said, in the first place her exports must balance her imports of raw materials and necessaries of life, and, after that, a surplus of exports is needed in order that she may make her payments under the Treaty.

If she is forced to inflate her currency for the purpose either of balancing her trade or of making her reparation payments, she must eventually come to bankruptcy, or, in the alternative, the internal value of the mark will fall to a point when the cost of manufacture will not enable her to sell abroad.

It seems, therefore, that it is only by spreading such payments as may ultimately be decided upon over a longer period—and according to some plan such as will enable a part to be accumulated, for the time being, as mark balances in Germany for the redemption of the bonds which she has deposited—that ultimate payment can be accomplished without undue disturbance to the world's economic system.

In this way reparation bonds already deposited by Germany would become a saleable security improving in value as her recovery proceeds.

If steps are taken to stop further inflation in Germany much can be done, but without such stability of currency as will afford a reasonably sound and stable medium of exchange any attempt to obtain continuous and substantial payments from her, or to find in her a market such as she afforded to this country in former days, when she was our second largest customer, could not produce any very satisfactory results. (Hear, hear.) If report be true, Germany has been given to understand, and has accepted, this condition, and in such case the first step towards the restoration of Europe will have been taken.

Position of Austria.

The case of Austria is much the same, though it presents fewer difficulties through being of less dimensions. It is, however, of immense importance, seeing that Austria is once more regaining her old position as a centre for the South-Eastern portion of Europe, and any improvement in her position would have its effect on the whole of that area. She needs support for a few years, by assistance in the form of external credits, to enable her to obtain the necessaries of life upon reasonable terms, and in this way to reduce her expenditure and to obtain stability of currency by balancing her Budget. The extending influence of such a policy would have an ever-widening effect, and would be far-reaching. It is by providing her indirectly in this manner with those facilities which will enable her to balance her Budget and stabilize her currency that the restoration of Austria can be achieved, provided always there is the desire and intention upon the part of her own people to take the necessary steps, even if they involve temporary privations, so as to make revenue and expenditure balance.

At the present time there is an appearance of prosperity, and there is great activity in industry and trade, both in Austria and Germany: this is due to the continuous rise in prices, following upon further creations of currency, so that the goods already manufactured have the appearance of cheapness, and are regarded not only as a profitable investment by the people, who are supplied with further paper with which to buy, but also as an investment which is preferable to the holding of paper money, in which public confidence has been gravely shaken. As this proceeds, there must come a time when the climax is reached, and bankruptcy ensues. When that time arrives, if no step has been taken to arrest it through want of concerted action between the different peoples, payment of any kind will have become an impossibility. Nevertheless, if Germany and Austria are allowed and placed in a position to trade, and to trade profitably, a reasonable burden of debt for reparations could be undertaken and discharged, provided it is spread over a sufficient period of years.

Sound currency is the first essential, and in the case of Austria, such help through credits and loans as will give her time to turn round.

The problem of inter-Allied debts presents much the same difficulties as that of reparations, because any effective payment on account of either interest or principal must ultimately be made in goods or services. Any general scheme for dealing with this matter presents many difficulties, but there is always room for bargaining between individual nations as to a basis for payment, either now or at some future time.

THE MONEY QUESTION

The discussion of government issues of paper money and of the Ford plan to finance the improvement of Muscle Shoals in the Tennessee river by such means, which appeared in the January number of the Monthly Letter, has brought a great many letters of inquiry and comment to this Bank. As it is impossible to answer them all in detail and give them the attention they deserve, it has seemed best to cover them by a general exposition of the money question in the Bank Letter. This will be done in two installments, the first treating of the evolution of money and the importance of an international standard of value, and the second of paper money, bank checks and the services rendered by the banking system in effecting payments.

Functions of Money

Money performs two closely related functions, i. e., as a medium of exchange and as a standard of value. In the first instance it passes from hand to hand and is itself exchanged for goods or services; in the second instance it may not be handled at all, but goods and services are valued and exchanged by reference to it. As the greater part of the domestic and international trade of this country is carried on by the latter method, it is important to keep the distinction in view.

The Evolution of Money

Money in the beginning of its use performed both functions; that is to say, it was something that had value in itself, and passed current as the direct means by which the exchanges of other things were effected. As the division of labor developed and men became dependent upon trade to supply their wants, they sought to convert their own products into the kinds of property for which the demand was most constant and which could be most readily disposed of. Each producer traded his product either for something that he wanted for consumption or for something that he thought had a wider or more constant market than his own product. Fundamentally, it was a direct exchange of values. Cattle, various products of the soil, the metals, were all used, and a process of elimination began which by popular choice gradually shortened the list of commodities thus used to gold and silver, and finally, for the greater part of the commercial world, to gold.

Gold and Silver as Money

This is perhaps as good a place as any to refer to the leading argument against gold as the standard of value. It is said that gold has no real value in itself, that it does not minister to any fundamental human want, that society could do without it far better than without the products which serve for food or clothing, or without iron and numerous other articles of utility. But after this is admitted it does not prove the contention that gold is not suitable for the standard of value. If society had to choose between doing without the necessaries mentioned and doing without gold, it doubtless would choose to dispense with the latter, but it does not have to do without either. A great many things that are not primary necessities are in constant de-

mand and year after year command prices in the public market that are quite as stable as the prices of wheat, cotton or iron. Tobacco is not one of the necessities of life, but from one year to another tobacco is as sure of a market and a stable price as any of the grains. Fine pictures, good music, good acting are not primary necessities, but the people who can supply them always command high pay as compared with those who produce corn and cotton. The world does not live by necessaries alone, or deal in necessaries alone, or value nothing but necessaries, and is not likely to be reduced to a state where such is the case.

It has been said that one man's meat is another man's poison, and the inference is that it is best to let every man determine for himself what he shall eat, and what things have value for him. There are bankers who have maintained that the automobile business was not on a sound economic basis, and other people who think that too many people buy talking machines. Not much is gained by arguing abstractly about the utility of things which people want, whether it be gold, automobiles or anything else. Commercial values are not fixed by theoretical arguments, but by trading in the market place. Values represent a concensus of opinion.

Early History of Money

The earliest historical records show that gold and silver were esteemed in all times and by all peoples as precious metals. They were prized for their beauty and the other qualities that distinguish them. Every account of hoarded wealth that has come down to us from the remote past tells of stores of these metals. In the countries where they were found they were used as money as far back as records go, and long before there could have been any concert of action to establish their use.

The book of Genesis reflects conditions at a very early period of society, and it speaks of both gold and silver as articles of established use and value:

"And a river went out of Eden to water the garden, and from thence it parted and became four heads. The name of the first is Pisen, that is it which compasseth the whole land of Havilah, where there is gold; and the gold of that land is good." Genesis, Chap. 11; Par. 10, 11, 12,

"And Abraham was very rich in cattle and in silver and gold." Genesis, Chap. XIII; Par. 2.

Their early use as money was not due to governmental action, for coinage is of comparatively recent date. They passed current by common consent, as "pieces" of gold and silver. Joseph gave to Benjamin 300 "pieces" of silver, and the Saviour at a much later date was betrayed for 30 "pieces" of silver. Doubtless these "pieces" were of practically uniform size, prepared to pass as money, but at first not an official coinage.

Frequently the records speak of the payments as being "weighed". One of the earliest financial transactions of which there is any record is that in which Abraham, who is believed to have lived some 2,000 or 3,000 years B. C., purchased a burial place for his wife Sarah. The demise occurred in Hebron, where the couple were sojourning, and Abraham sought to buy of Ephron a tract of land for the burial. Abraham was a man whose fame had extended beyond his own neighborhood, and Ephron at first respectfully offered to give him the land without charge, but Abraham preferred to pay for it. The Scripture narrative goes on as follows:

And he spake unto Ephron in the audience of the people of the land, saying, "But if thou wilt give it, I pray thee hear me; I will give thee money for the field; take it of me, and I will bury my dead there."

And Ephron answered Abraham, saying unto him: "My lord, hearken unto me; the land is worth four hundred shekels of silver: what is that betwixt me and thee? Bury therefore thy dead."

"And Abraham hearkened unto Ephron; and Abraham weighed to Ephron the silver, which he had named in the audience of the sons of Heth, four hundred shekels of silver, current money with the merchant." Genesis, Chap. 23; Par. 14, 15, 16.

Coinage was not adopted for the purpose of giving value by the stamp of authority, but for convenience, certifying to the weight and fineness of the piece. Many of the best known coins of history show by their names that they were derived from weights in common use. This was true of the Jewish Shekel and the British "pound" was originally a pound weight of silver.

The Qualities of Gold and Silver

The reasons for the preference that was early given to gold and silver over other commodities which to some extent were used as money are not difficult to find. The metals were universally esteemed; they possessed relatively high value in proportion to bulk and thus were easily transported, stored, concealed and protected; they do not deteriorate with time and are not destroyed by fire, being in all these respects, as well as in the quality last named, superior to any of the products of the soil; they are malleable and fusable, and since they are practically indestructible, the new production of each year becomes a part of the permanent stock, so that the fluctuations in production and in value from year to year are of much smaller consequence than in the case of the products of which the annual crop is nearly all consumed during the year.

Traders seek out the most economical methods of conducting their business, and the traders of all nations found that it was more

economical to exchange their wares for gold and silver and use gold and silver in buying what they wanted, than to trade for and with other things. Experience demonstrated that with gold and silver they could procure anything else. This is the story of the evolution of gold and silver as money. Monetary systems have not been invented or devised by legislators or agreed upon between nations; they have been established in conformity with the customs of the business world, giving legal recognition and authority to methods long in use.

Evolution of the Gold Standard

The same process of evolution which had eliminated other metals and forms of money has brought about the nearly complete elimination of silver as standard money. In the first place, silver deposits occur more plentifully than gold, and for this reason, if no other, it is less valuable, and therefore more bulky and less convenient as a medium of settlements. The ratio of value at the United States Mint before silver was demonetized was 1 to 16, or as the champions of silver preferred to state it, 16 to 1—sixteen ounces of silver being treated as equivalent in value to one ounce of gold. This signified that settlements in silver required the transportation of sixteen times as much weight as settlements in gold, and naturally traders preferred gold.

As people have grown in wealth they have preferred to use a money which provided greater value in proportion to bulk, moving up from copper to silver and from silver to gold.

Moreover, it proved to be impracticable to use two metals as standards at the same time. The futility of the coinage stamp for giving value was shown by the fact that the United States placed the dollar stamp alike on 22.23 grains of fine gold and 371¼ grains of fine silver, and yet the two dollars never circulated concurrently until the standard was definitely fixed in gold and the silver dollar was made a token coin.

As means of communication and transportation improved and international relations became more intimate, the fluctuations between gold and silver became a matter of greater concern. Every uncertainty in trade relations which involves a possibility of loss must be covered by charges, and such charges became a costly obstacle to trade and financial dealings, and this had the effect of causing the nations one by one to drop silver as a standard and adhere to gold alone.

Gold Units Before the War

Before the great war China was the only country of considerable importance which had not adopted the gold standard. The manner in which the monetary systems of the other countries were tied together, making a common standard of value for nearly the entire world, is shown by the following table giving the monetary units of certain leading countries with the number of grains of gold in each unit:

Countries	Unit	Grains of Fine Gold
United States	Dollar	23.22
Canada	Dollar	23.22
Great Britain	Pound Sterling	113.00
France	Franc	4.48
Germany	Mark	5.53
Belgium	Franc	4.48
Holland	Guilder	9.33
Denmark	Krone	6.22
Norway	Krone	6.22
Sweden	Krone	6.22
Austria-Hungary	Krone	4.70
Italy	Lira	4.48
Switzerland	Franc	4.48
Russia	Rouble	11.94
Japan	Yen	11.57
Argentina	Peso	22.40
Uruguay	Peso	24.01

The list might be much extended, but this will suffice to show how the monetary systems of the world were linked together by their common relation to gold. Although the countries had different paper currencies, printed in the different languages and naming many different units of value, they had a common unit in the grain of gold, and by reason of their fixed relations to this they all had practically fixed relations to each other. If the reader would like to know why the par of exchange for the Pound Sterling with the dollar is $4.866+, let him divide 23.22 into 113. The gold coins of any of these countries may be shipped to any other of these countries and recoined into the money of that country, practically without loss. They have practically the same purchasing value anywhere and under any name, transportation charges allowed for.

Services of the Gold Standard

The advantages of this relationship, in simplicity and economy, were very great. The price quotations of all countries bore definite relations to each other. The grain dealers of every country could readily calculate in terms of their own money what wheat was bringing in every other country. Contracts for future delivery could be safely made in other countries. A Chicago meat packer could sell an invoice of lard for delivery in Hamburg at a certain price in "marks" and know what the marks would be worth when he received them sixty days or six months later. He could, if he wished, receive his pay in gold marks, have the coins shipped to this country, deposited at the United States Assay Office in New York and converted into gold coins of the United States. The common gold standard practically eliminated the risk of exchange fluctuations. During our Civil War, when our currency was off the gold basis the dealer who bought wheat of the Western farmer to sell in any foreign market had to run not only the ordinary risks of the business but the risk of violent exchange fluctuations, and he had to have a margin wide enough to cover that risk. The same risk attaches to all international transactions now.

Recent Exchange Fluctuations

The par of exchange between the British pound and the United States dollar is $4.8665, and the market price of exchange before the war was seldom 2 cents from this, but within the last two months the price has ranged from $4 to $4.40, which is 10 per cent. From the standpoint of a British buyer of American products that means a fluctuation of 10 per cent in the price, and as there is now no fixed relation between the currencies of the two countries nobody can foretell what the fluctuations may be. The pound sterling may go down to $4.00 or up to $4.86 in the coming months. Its movements will depend upon many contingencies: the need of England for our cotton and foodstuffs, the effect of the Fordney Tariff Bill, the strike in the gold mines of South Africa, our pressure for payments on the British debt to the United States Government, etc., etc. Moreover, they are affected by speculation—by what speculators think of the future.

The fluctuations of the pound sterling have been less than the fluctuations of many other currencies. The German mark lost more than one-half its value within three months last Fall. Consider the position of an American exporter who had outstanding accounts payable in marks, or of a German importer who had uncovered obligations in the United States.

Effect Upon Prices

Moreover, it must not be thought that these fluctuations in exchange rates affect only the persons engaged in foreign trade. They affect the prices of all commodities exported or imported, and by affecting these they have more or less influence upon all prices. During our Civil War the fluctuations of exchange (or price of gold) were constantly affecting the prices of all staple commodities and the same has been true of late in Germany. Strikes have been a common occurrence in Germany, as the result of efforts by the wage-earners to bring their wages into line with the cost of living as affected by the fall in the value of the money as reflected in the exchange rates.

Compare this state of chaos in the exchanges with the stability which existed when the countries were maintaining their currencies on a gold basis before the war. International trade then was free from these vexations. These numerous contingencies, affecting the interests of millions of people, beyond the ken of most of them, defying any certain calculation, and inviting the operations of speculators, have resulted because the common gold standard is no longer in use. The disorganization of industry, the unbalanced state of trade and the enormous issues of paper money, occasioned by the war, have made it, for the present, impossible for the countries to redeem their currencies in gold, as formerly they were accustomed to do.

The Value of Convertibility

We have laid emphasis upon the services of an international standard of value—a standard to which the currencies of all nations shall conform—in order to make clear the necessity for **convertibility.** It is asked why convertibility should be considered important? The answer is that the simplest way, and indeed the only practicable way, of maintaining a paper currency at the standard is by convertibility. The most effective way of maintaining a fixed price for anything is by buying all that is offered at the price. There must be unobstructed flow or privilege of conversion for the money of one country into the money of other countries to keep them of the same value. If there is any difficulty about converting the internal currency into the standard money when the state of trade or other conditions make it desirable, the internal currency will be offered at a discount; in other words it will become depreciated as compared with the standard, and as compared with all commodities of international trade, and eventually for all purposes.

This rule of depreciation may be illustrated by referring to our Liberty bonds. Our people bought them freely during the war for patriotic reasons, but bought more than they really wanted. Nobody questioned that they would be paid at par when they came due, but many people did not want to hold them until that time, and offered them for sale at a discount. This action broke the market price for all Liberty bonds. Nothing could have maintained the price at par but a demand that would take them at par.

A Common Language of Values

Before the war every country which stood ready to redeem its internal currency in gold thereby maintained its financial structure and its level of commodity prices in close relation to those of every other country doing likewise. They were doing business on the same basis. They had a common language of values. Money was loaned, securities were bought and sold, engagements were entered into across international boundaries as readily as between New York and San Francisco, the risk of exchange fluctuations at the maximum being reduced to the cost of shipping gold. If prices rose in one country above the price-level in other countries, as measured by the common gold standard, the high-priced country became a good one to sell goods in and a poor one to sell goods from, with the result that the balance of trade would rise

against it and its importers would be obliged to remit gold in settlement. The loss of gold from bank reserves and the loss of export business would combine to check the rise of prices and bring them back to the world's level, thus restoring the equilibrium of prices and of trade. In short, the influence of the common standard of value was toward making the world one community in finance, in industry and in trade. It was harmonious with the influence of improved methods of communication and transportation, a common language, and common weights and measures.

Advantages of a Common Standard of Time

It is impossible to have this international relationship of values without a common standard. In New York and the suburbs we have known something in recent years about the annoyance arising from having two standards of time, but this situation was comparatively simple, for although there were two standards they maintained fixed relations, being always just one hour apart. How much worse would it be if they constantly fluctuated in relation to each other! If you want 12 o'clock to mean the same thing to everybody you must have one standard of value, and every locality must keep its time-piece in harmony with that standard.

It must be borne in mind that changes in the volume of paper currency, unless they closely correspond with changes in the current volumes of business will affect the value of that currency; and conversely, changes in the volume of business, the volume of currency remaining the same, will affect the value of the currency. It is out of the question for the currencies of different countries to remain in fixed relations to each other except by means of their relations to a common standard of value and by facilities for an equalizing flow of money between the countries.

Advantages of Gold as a Standard

It may be said that these arguments in behalf of a common standard of value apply to any standard, and why should gold be chosen? The answer to that, as we have seen, is that Gold has been the deliberate choice of the business world, experience having demonstrated that it was the most economical and generally satisfactory commodity for the purpose. It has superseded all other commodities by common consent. Its acceptance, however, in payments is never a hardship, for if anyone prefers something else he can get it in exchange for gold.

Why argue against this universal willingness to receive gold in the settlement of balances? Is it not a cause for congratulation that there exists a commodity thus universally acceptable and well adapted in all respects to serve as a common standard of value and means of settlement? Of course, it is always in order to propose an improvement of methods, but in any discussion of money it is essential to first have a clear understanding of the indispensable services of a common world standard of value.

The Multiple Standard

It is argued that a standard of value made up of many commodities—the so-called multiple standard—would be more accurate in its relation to labor and as a measure of value for long-term contracts than any single commodity can be. There is some force in the argument. It is not contended by the supporters of the gold standard that it is perfect. There are fluctuations on the side of gold as well as on the side of other commodities. Not many human institutions or contrivances are perfect. All are provisional, subject to change when something that will answer the purpose better is found, but it is the part of wisdom to be sure of something better before discarding that which has rendered good service.

The gold standard has the great advantage of simplicity, and of being free from arbitrary control. The supply of gold comes from the mines and everybody is free to dig for it. The government does nothing but certify to the contents of the coins and will make them for anybody who brings bullion to the mint. Their value depends upon what will be given for them in the markets. The high value in small bulk in a commodity that is practically indestructible is a great consideration, particularly for international settlements. Its uniformity—the fact that each bar of pure gold is just like every other—and that even when alloyed the amount of the pure metal can be accurately determined by assay, is also an important factor. Suppose that we had the multiple standard, and that the "dollar" represented a certain percentage of the value of given amounts of wheat, corn, cotton, wool, mess pork, beef, mutton, baled hay, sugar, salt, butter, canned tomatoes, evaporated milk, dried apples, bleached sheetings, hemlock leather, pig iron, lead, copper, lumber, and as many other things as might be taken from the list of 340 commodities which are the basis of the Bureau of Labor's percentage tables? If the system of redemption was maintained, the currency would be subject to redemption in these commodities, in their due proportions. Five million or even ten million dollars in gold takes up but little room in one of the ocean liners, but $10,000,000 worth of miscellaneous commodities would require a fleet of 40 or 50 first-class ships. The transportation charges, and costs of loading, unloading and storage would be a tax upon

commerce. Some of the staple commodities are subject to deterioration, particularly upon passing through the tropics. They are all wanted for consumption ultimately, but might not be wanted in the countries to which payments were due.

Essentially an International Problem

It is theoretically argued that redemption is unnecessary, for the reason that the paper currency might be kept of uniform value by varying the amount outstanding, but there are many reasons for doubting that this system would work as smoothly as imagined. There would have to be an elaborate organization for determining prices and controlling the volume of currency. Moreover, there would have to be such organizations in other countries, and the several national organizations would have to cooperate in order to maintain an international standard. The whole scheme is complicated and all on paper, and there are grave doubts about its proving effective to deal with a state of unbalanced trade. The difficulties that would be encountered in trying to bring all countries into the establishment of such a system may be imagined, and yet the problem is fundamentally an international one. One country cannot settle it satisfactorily alone, nor is it a question suitable to be settled in a political campaign, or by the kind of discussion that characterizes a political campaign.

Professor Fisher's Plan

Professor Irving Fisher has developed a plan by which the multiple standard would be used, but currency redemption would be in gold, adjusting the amount of gold representing the "dollar" to the fluctuations of the commodities. By this plan the international settlements still would be made by shipping gold. The plan, however, remains so artificial and complicated that there can be no reasonable hope of an international concert upon it within calculable time, and the advantages of a common standard of value are of far more importance than any advantages that are promised from the multiple standard over the gold standard. After the world gets back to the common gold standard it will be time enough to discuss the multiple standard and other proposed refinements of the subject. Economists do not say that something may not be worked out of the idea, but to try to interest the world in it now would be like treating a man for some minor ailment when he had been mangled in a railway accident.

Bankers' Control of Gold

We are aware that we have passed over one objection sometimes made to the gold standard, to wit: that the supply of gold is "controlled" either in the mines or in the possession of bankers, and manipulated to make good times and bad times and illegitimate profits for bankers. This idea is a pure delusion, not only without evidence in its support, but impracticable. Everybody who has a gold mine desires to get the gold out of it as soon as he can at a profit, and everybody who knows anything about the banking business knows that bankers make no money upon gold in their vaults, except as it is required in the conduct of their business. As a matter of fact the holdings of gold outside of the central banks, including the Reserve Banks of the United States, is very small. The estimated stock of gold in the United States is about $3,600,000,000, of which all the National banks at the date of their last statement held about $40,000,000. Private bankers held much less, an insignificant amount, as they usually carry their reserves in other banks, at interest. The twelve reserve banks at the date of their last statement held $2,936,054,000; the remainder was in the Government treasury, state banks, private banks, and personal holdings. The reserve bank holdings are public holdings, in sight all the time, and subject to use on the same terms by everybody. The gold stocks of other countries are concentrated in the central banks, as here, always in sight, subject to governmental supervision in most countries, as here, with government officials participating in the management.

Paper Money No Remedy

Moreover, paper money issues by the government would not affect this mythical control which some people suppose bankers to have over the money market. Issues of paper money do not make money any easier to get. It is more plentiful in one sense, as seen in Germany and Russia, but the more there is issued the less it is worth, and the more a person must have to buy anything. Furthermore, people give their government money into the custody of the banks just as they do other money, and the banks would have as much "control" over it, or power to withhold it from use, as they have now. And if all banks were abolished, and people buried their money in the ground, the man who wanted to borrow would find it even more difficult to do so than now.

(This discussion will be continued in the April Letter, with special reference to Paper Money and Instruments of Bank Credit.)

Bonus Legislation.

The determination of Congressional leaders to pass a soldiers' bonus bill is still a menace to the business situation. The danger now seems to be that the promoters of this measure, unable to agree upon any method for

raising the revenue required by it, may pass it without any provision for meeting the outlay, throwing upon the Secretary of the Treasury the responsibility for finding the money. This would be extraordinary action, in view of the Secretary's repeated warnings that the Treasury has enough to do to take care of over $6,000,000,000 of outstanding obligations which will mature by May, 1923. The efforts to pass a bonus bill constitute a serious obstacle to the restoration of confidence at this time.

The report that a bonus bill will be passed relying upon interest payments on foreign government indebtedness to supply the funds seems improbable, for such action would be very unwise. There is no prospect of collecting interest at an early day upon any of this indebtedness, except that of Great Britain, and it will not be to the advantage of this country to have payments made upon this while the exchanges are in their present disordered state. The purchase of exchange to make interest payments inevitably will affect rates in a manner unfavorable to our export business.

A Letter From France

We are in receipt of the following interesting and instructive letter from France:

Lyons, France, February 3.

As I am among those who receive your monthly financial bulletin, I take the liberty to give you here a few remarks suggested by your number of January, 1922.

The opinion, expressed by you on the crop of 1921 in Europe west of Russia, is quite correct and such relative abundance was especially evidenced in the wheat crop in France, wheat being our staple food since a Frenchman of the middle class eats about 1 pound per day, but on the other hand the drought of 1921, which was especially strong in June and July, reduced to a very large degree the production of all other vegetables (plants); the potato crop was very small, almost nothing in certain districts. For this reason we have to pay at retail about 60 centimes per kilo, but in an average year it would not cost more than 10 or 15 centimes. Ordinary table wine is also below normal production; the crop for all of France and Algeria, our large North African colony, being only 50 million hectoliters against 63 million in 1920. You certainly know the importance of wine in our countries; we owe to it all our energy, our eagerness for work, our morale, our endurance and I must also add our tendency to be contented with little.

From the above you can see how great, this year again, are the difficulties which we have to overcome in order to meet our fiscal taxes which are five times heavier than before the war. However, we are confident in the future; our country shall rise again, there is no doubt about it. Generally speaking you judge us by the people you see in Paris or in our health resorts or beaches. Foreigners, who wish to judge our country, must not forget that this frivolous faction of our population represents only about one-tenth of the French people. In order to form a better idea of the possibilities of our country, it would be necessary to carefully study our agricultural class and the people of our small industrial cities, for there can be seen how active, thrifty and easily satisfied our race is.

After the war we suffered from the idleness-wave. Thanks to your kind assistance, victory has smiled on us. Our young men coming back from the front after four years of superhuman efforts felt an insuperable feeling to rest for a long time and to exact the highest pay for their services. However, now this illusion disappears by degrees and every one sets to work. As you very well say the Revolutionary spirit has subsided and the people appear to be willing to work. This willingness to work which has never failed our agricultural class at any time, has been clearly evident for the last few months with our city workmen, whose eyes begin to open again to the light of truth, in other words, to the necessity of meeting our obligations in spite of the depressing teachings of politicians without morals, who have no wholesome thoughts.

Being of advanced years I may recall here what happened in 1871 after our defeat by the Germans who demanded 5 billion francs indemnity. This amount, that is 1 billion dollars, was at that time a considerable sum. Moreover, our country was entirely disorganized as a result of the war and as a result of the formidable upheaval during which part of the monuments of Paris were demolished. You know how lost a country becomes once its capital city is disorganized. Well, we did not try to evade our obligations. We set to work. The Germans, who thought they had broken us down, were paid sooner than they expected. We proved to be good losers. We had lost—we paid, submitting to an adverse fate.

We believe that in that way we followed in the worthy footsteps of your esteemed country after the Civil War, the result of which had been terrible.

Well, the old French people, who like myself, believe that they know their country well, are sure that we shall rise again if the weather is kind to our agricultural products, if the Germans pay at least part of the damages they owe us and if our friends in America grant us time for the payment of our debts. On the other hand I must tell you that such an effort will take a long time and that consequently we shall not be able to buy abroad, in the States for example, but for our immediate needs; raw cotton, of course, and wheat in our bad years but very few articles of luxury. Moreover Germany is going to turn out goods very cheaply and pretty soon will crowd you out of the export markets of Europe and other places.

In spite of all our gratitude to you for the so efficacious help which you brought us, we cannot hide from you the fact that you will have to fight hard to maintain your footing in the export markets. Your exchange which is so unfavorable to the development of your export trade, the claims of your working people, will constitute a heavy handicap for your exporters. Moreover, as you say yourselves so well in your bulletin, many nations who formerly bought your manufactured products, are now resourceless (Austria, Russia, Hungary, Turkey, Roumania, Greece, Italy and even in a very large portion of France itself.)

Please excuse this long letter from one of your readers who considers it a duty to tell you sincerely what the least frivolous part of his country thinks. One should add also that with us, in all France, nine-tenths at least of the population do not desire any conquest. We are satisfied with what we have and we only want one thing. We want to be paid WHAT IS OWED US and to be left alone to work and enjoy a peaceful life in the shadow of our old monuments, our old graves and our old traditions.

Lower Prices Big Factor in Fall Off of Our Foreign Trade Figures

By O. P. Austin

Statistician, The National City Bank of New York

Now that it is possible to compare the official figures of imports and exports of the United States in the full calendar year 1921 with those of the calendar year 1920 and to compare the fall in quantity with that of value, we find in nearly every case that the reduction in value is far greater than the reduction in quantity.

While the official reports of imports and exports do not state quantities of all articles entering or leaving the country, and while the units of measurement utilized in recording the quantities of merchandise imported or exported include in many cases merely the number of articles, it is possible to reduce all of the terms of measurement to a single unit of pounds, and thus to determine the actual number of pounds represented by all of the imports and exports, except the comparatively small number in which no official record is made of the quantities entering or leaving the country. Of the 13½ billion dollars worth of merchandise imported and exported in 1920 (which fell to about 7 billions in 1921) it is possible to determine the weight in the common unit of pounds of articles representing about 75 per cent of the total value, and comparing the reduction in quantities with the reduction in values, article by article and for the grand total, to at least approximate the relation which the fall in prices has had to the reduction in stated values of imports and exports, so much discussed in recent months.

Comparison by Pounds

The results of such a study of the relative fall in quantities and values of all articles for which the quantity can be determined, is presented herewith. It has been made by transforming to the common unit of pounds the quantities of each article of import or export in which the value in 1921 was above $1,000,000 and for which quantities imported or exported are officially recorded in any form. This analysis shows for the calendar year 1920 approximately 250,000,000,000 pounds of imports and exports, and in 1921 approximately 200,000,000,000, a reduction of 20 per cent in quantity, while the value of the merchandise for which the weight is named falls from $9,832,000,000 in 1920 to $4,988,000,000 in 1921, a reduction of 49 per cent in value, as against 20 per cent in quantity. In exports the fall in quantities of all articles for which weight can be shown is 22 per cent and the fall in values of the same articles 43 per cent. In imports the fall in quantity is 10 per cent and in value 56 per cent, this comparatively small reduction in quantity being due to the big increase in the imports of crude petroleum. Exclusive of petroleum, the fall in quantities of imports is 32 per cent, and in value 56 per cent.

Raw Materials Compared With Manufactures

A division of the articles forming the 1921 imports and exports respectively into three great groups which form the bulk of all international trade—foodstuffs, manufacturing material, and manufactures—shows on the export side an increase over 1920 of 30 per cent in the weight of foodstuffs, but a reduction of 32 per cent in value; in manufacturing material a fall of 35 per cent in weight and 49 per cent in value; and in the manufactures for which weight can be stated the reduction is 27 per cent in weight and 50 per cent in value. On the import side, foodstuffs show a reduction of 23 per cent in weight and 64 per cent in value; manufactures a reduction of 7 per cent in weight and 47 per cent in value; and manufacturing material including petroleum, a 5 per cent reduction in weight and 51 per cent in value, but exclusive of petroleum the manufacturing material shows a fall of 32 per cent in quantity and 57 per cent in value.

The fall in values per unit of quantity is most observable in the natural products, foodstuffs and manufacturing material. Raw sugar imported, for example, shows a fall of 26 per cent in quantity and 76 per cent in value, coffee an increase of three per cent in quantity but a decrease of 43 per cent in value; wool an increase of 23 per cent in quantity but a decrease of 51 per cent in value; hides and skins a decrease of 32 per cent in quantity and 72 per cent in value; raw cotton a reduction of 54 per cent in quantity and 76 per cent in value; and rubber a decrease of 29 per cent in quantity and 69 per cent in value. On the export side, wheat and flour in combination show an increase of 18 per cent in quantity but a decrease of 32 per cent in value; cotton an increase of 5 per cent in quantity but a decrease of 52 per cent in value; tobacco an increase of 10 per cent in quantity, but a decrease of 16 per cent in value; and coal a reduction of 36 per cent in quantity and 52 per cent in value.

The tables which follow show the weight and value of the principal articles imported and exported for which weights can be determined, and the percentage of increase or reduction when comparing the full calendar year 1921 with the calendar year 1920.

WEIGHTS AND VALUES OF U. S. FOREIGN TRADE, 1920 AND 1921

Showing relative decline in quantities and values in 1921 when compared with 1920, in all important articles in which quantities can be stated.

IMPORTS

	Million Pounds 1920	Million Pounds 1921	Pct. of inc. or dec.	Million Dollars 1920	Million Dollars 1921	Pct. of inc. or dec.
Foodstuffs:						
Sugar	8,066	5,967	— 26	1,015	237	— 76
Coffee	1,297	1,341	+ 3	253	143	— 43
Cocoa	344	305	— 11	54	23	— 57
Tea	90	77	— 14	24	14	— 41
Fruits & Nuts	4,344	4,689	+ 8	72	56	— 22
Meats	153	59	— 61	21	7	— 66
Fish	301	304	+ 1	35	29	— 17
Eggs	29	18	— 37	7	3	— 57
Milk	24	9	— 62	3	1	— 66
Butter	37	19	— 48	19	7	— 63
Cheese	16	27	+ 68	6	9	+ 50
Wheat	2,148	1,398	— 35	75	36	— 52
Flour	160	192	+ 20	9	8	— 11
Rice	143	84	— 41	14	3	— 78
Spices	61	64	+ 4	12	5	— 58
Molasses	1,921	936	— 51	5	2	— 60
Tapioca	105	55	— 47	6	2	— 66
Vegetables ...	716	304	— 57	32	8	— 75
Oil cake	229	88	— 61	4	2	— 50
Cattle	332	162	— 51	27	6	— 77
All other*....	809	257	— 70	57	19	— 66
Total of foodstuffs	21,385	16,355	— 23	1,750	620	— 64
Manufacturing Materials:						
Cotton	300	139	— 54	139	33	— 76
Wool	260	321	+ 23	127	61	— 51
Silk	30	45	+ 50	285	259	— 9
Fibers	909	548	— 40	80	34	— 57
Hides & Skins	510	348	— 32	244	68	— 72
Rubber	603	427	— 29	249	76	— 69
Gums	142	82	— 42	52	23	— 55
Soda Nitrate.	2,961	826	— 72	63	18	— 71
Fertilizers ...	2,499	696	— 72	51	12	— 76
Flax seed	1,378	684	— 50	75	20	— 73
Tobacco	82	53	— 35	82	54	— 34
Copra	248	224	— 10	19	10	— 47
Wood Pulp ..	1,812	1,394	— 23	89	39	— 55
China clay ..	724	328	— 55	4	2	— 50
Aluminum ...	40	31	— 22	12	7	— 41
Iron ore	2,852	707	— 75	5	1	— 80
Copper ore ..	116	103	— 12	22	14	— 36
Tin ore	67	31	— 54	19	6	— 68
Coal	2,554	2,531	— 1	7	7	0
Petroleum ..	36,552	43,272	+ 18	56	67	+ 16
All other* ..	2,633	1,605	— 39	128	59	— 53
Total of mfg. material	57,372	54,395	— 5	1,808	870	— 51
Manufactures:						
Cotton cloth..	36	21	— 41	52	29	— 44
Cotton yarn..	94	49	— 47	29	6	— 80
Wool cloth ..	8	7	— 12	20	14	— 30
Wool yarn ..	4	6	+ 50	8	7	— 12
Silk fabrics ..	3	4	+ 33	36	24	— 31
Silk yarn	3	2	— 33	13	6	— 54
Fiber fabrics.	11	8	— 27	26	11	— 57
Burlaps	[illegible]	472	— 16	89	41	— 53
Jute bags ...	51	65	+ 27	8	4	— 50
Paper Print'g	1,460	1,585	+ 9	69	79	+ 14
Creosote oil..	129	232	+ 80	4	5	+ 25
Pulp board ..	86	39	— 55	3	1	— 66
Calcium carb.	83	85	+ 2	3	3	0
Cocoanut oil.	216	190	— 14	33	15	— 54
Palm oil	42	23	— 45	5	2	— 60
Soya bean oil	112	16	— 85	13	1	— 92
Copper, pigs, etc,	369	248	— 33	68	31	— 54
Tin, pigs, etc.	126	54	— 57	74	17	— 77
Iron, pigs, etc..	416	99	— 76	13	2	— 84
Cigars, etc. ..	6	2	— 66	17	6	— 64
All other* ...	1,206	1,466	+ 21	71	41	— 42
Total of manufactures	5,030	4,673	— 7	654	345	— 47
Grand Total of Imports*..	83.787	75.423	— 10	4,212	1,835	— 56

*For which weight can be stated.

EXPORTS

	Million Pounds 1920	Million Pounds 1921	Pct. of inc. or dec.	Million Dollars 1920	Million Dollars 1921	Pct. of inc. or dec.
Foodstuffs:						
Wheat & flour	16,979	20,098	+ 18	822	551	— 32
Corn & meal	1,164	7,382	+534	34	96	+182
Oats & meal.	478	204	— 57	16	5	— 68
Rice	393	600	+ 52	37	21	— 43
Rye	3,192	1,669	— 47	122	44	— 63
Barley	854	1,238	+ 44	27	21	— 22
Fruits & Nuts	571	702	+ 22	49	46	— 6
Meats	1,061	796	— 24	259	139	— 46
Lard & Tallow	780	1,116	+ 43	179	140	— 21
Butter	18	8	— 55	10	3	— 70
Cheese	16	12	— 27	5	3	— 40
Milk	414	299	— 28	65	38	— 41
Eggs	27	34	+ 25	14	11	— 21
Fish	118	86	— 27	19	10	— 47
Sugar	924	934	+ 1	95	49	— 48
Cottonseed oil	185	253	+ 36	35	24	— 31
Oil cake	590	1,207	+104	18	25	+ 38
Vegetables ...	420	340	— 19	21	11	— 47
Cattle	72	167	+131	11	12	+ 8
Hay	141	116	— 17	2	1	— 50
All other* ...	356	290	— 18	21	13	— 38
Total of foodstuffs ...	28,753	37,551	+ 30	1,861	1,268	— 32
Mfg. Material						
Cotton, raw..	3,179	3,339	+ 5	1,136	584	— 52
Tobacco	468	515	+ 10	245	205	— 16
Hides & skins	17	30	+ 76	6	4	— 33
Iron ore	2,570	986	— 61	6	2	— 66
Iron pigs	486	63	— 87	10	1	— 90
Coal	87,584	55,592	— 36	350	168	— 52
Coke	1,839	613	— 66	10	3	— 70
Petroleum, raw	2,360	2,604	+ 10	29	20	— 31
Paraffin	375	226	— 39	33	11	— 66
Fertilizers ...	2,396	1,643	— 31	10	7	— 30
Asphaltum ...	103	90	— 12	1	1	0
Aluminum ...	9	2	— 76	3	1	— 66
Lead	39	53	+ 35	3	2	— 33
Zinc	228	8	— 96	19	1	— 94
Sulphur	1,001	641	— 35	9	5	— 44
Soda Ash	167	35	— 79	5	1	— 80
Soda, caustic.	224	50	— 77	11	2	— 81
Rosin	326	280	— 14	19	5	— 73
Turpentine ..	66	65	— 1	15	6	— 60
Hops	26	18	— 30	17	6	— 52
All other*....	58	40	— 31	15	6	— 60
Total of mfg. material	103,521	66,893	— 35	1,952	991	— 49
Manufactures:						
Automobiles...	515	115	— 77	212	43	— 79
Locomotives..	257	152	— 40	54	34	— 37
Cotton cloth..	202	133	— 34	238	72	— 69
Cotton yarn..	24	14	— 41	20	6	— 70
Wool cloth ..	9	2	— 77	24	4	— 83
Binder twine.	55	59	+ 7	8	8	0
Sole leather..	22	14	— 36	12	5	— 50
Steel rails ...	1,350	921	— 31	36	18	— 50
Bars & billets	2,266	488	— 78	75	16	— 79
Nails	245	75	— 70	16	5	— 70
Sheets & plates	2,756	1,339	— 51	115	51	— 55
Pipes, iron ..	791	882	+ 11	53	56	+ 5
Wire	718	222	— 69	41	12	— 70
Tin plate	507	241	— 52	40	17	— 57
Copper	624	629	+ 1	127	85	— 33
Petroleum, mfd.	19,327	16,982	— 12	520	364	— 30
Spirits	221	44	— 80	20	3	— 85
Tobacco, mfd.	57	35	— 39	41	20	— 51
Paper	247	100	— 59	27	10	— 62
Starch	148	258	+ 74	9	6	— 33
All other* ...	2,133	994	— 53	119	64	— 46
Total of manufactures	32,474	23.690	— 27	1,807	899	— 50
Grand total of exports*..	164,748	128,143	— 22	5,620	[illegible]	— 43